under M. Otto Strandman. A provisional Constitution adopted on June 4 was replaced, a year later, by the definitive Constitution of June 15, 1920.

In Latvia, where the Provisional Government was even more hampered than its counterpart in Estonia by the struggle with the German and Bolshevik armies,[1] elections to the Constituent Assembly were not held until April 1920. M. Čakste was elected President of the Assembly, which consisted of peasants, Socialists, and members of the other bourgeois parties (including the minorities), in roughly equal proportions. After the adoption of a provisional Constitution on June 1, the Ulmanis Cabinet resigned and was reconstituted with the support of all except the Socialists; but M. Ulmanis gradually lost the support of most of the Left parties, and was eventually succeeded by M. Meierovics, who formed a coalition Government including the Agrarians, Democrats, and some of the Social-Democrats. The definitive Constitution was adopted on February 15, 1922. The first constitutional Parliament, or *Saeima*, met on November 7, 1922, and elected Čakste as President of the State.[2]

In Lithuania elections were held in April 1920 for the Constituent Assembly, which met at Kaunas on May 15, ratified the proclamation of independence, and proceeded to the elaboration of a provisional constitution and the appointment of a new government—the *Taryba* and the Cabinet having resigned. M. Stulginskis, the President of the Constituent Assembly, was chosen to act as temporary President of the Republic, and Dr. Grinius formed a Cabinet on June 8. The final Constitution was not promulgated until August 1, 1922.

III. INTERNAL CONSOLIDATION IN THE SUCCESSION STATES

To appreciate the complexity and wide range of the problems demanding the immediate attention of the new Governments in the early days of independence, it is necessary to picture the devastating effects of the six years of military campaigns, occupations, and invasions through which the Baltic Provinces had just passed, the complete collapse of economic life, the break-down of administrative machinery, and the wastage of material and of man-power which they brought in their train. Everything had to be built up from the very beginning; not only new constitutions, but new law-courts, new schools, and new central and local government bodies had to be set up; and every activity was hampered by the relative inexperience of leaders who up till now had always been in opposition, and by the virtual disappearance of the former Russian and German official classes.

[1] See above, p. 25.

[2] Čakste was re-elected President in 1925, and held office until his death in 1927.

1: Anonymous U-4 (no date) 1938 RB1 Baltic States RB1

000 virtual disappearance of the former Russian and German official classes.

● 178 554 565 Moreover, the social structure of the former Russian provinces had crumbled, and the Baltic peoples, who had hitherto been the least considered members of society, were now masters in their own house, chaotic though that house might be. This shift in the balance of power gave rise to a whole series of special problems concerned with the regulation of the relations between the various sections of the community, ranging from the redistribution among the peasants of land which had formerly belonged to the large estate owners, to the definition and stabilization of the position of the national minorities, and the adjustment of the relations between the States and the various religious denominations. It is proposed to reserve discussion of the constitutional and political history of the new States till a later chapter, and to summarise here the ways in which they handled some of the other problems with which they were confronted.

1. Agrarian Reform

423 471 The first concern of the Baltic Governments was the expropriation of the great landed estates and their redistribution among the peasants. Even before the new Constitutions had been drafted, agrarian laws were passed in Estonia in October 1919, and in Latvia in September 1920, while in Lithuania there was a whole series of decrees starting in December 1918, and culminating in the Agrarian Law proper in April 1922.

In Estonia, the reforms were effected almost entirely at the expense of the Baltic Barons;[1] in Latvia, the burden was borne largely by the German Balts, the Poles, and Russians, and some fifty Latvian landowners; while in Lithuania the chief sufferers were the Poles and Russians, especially those who had obtained land on privileged terms from the Russian Government and such institutions as the Nobles' Bank, the Peasants' Land Bank, and the Orthodox Church, the German-Balt element here being negligible.

The treatment meted out to the dispossessed landlords was far more severe in Estonia than in the other two countries, for here they were deprived even of a minimum amount of land for their own use, whereas in Latvia and Lithuania they were at least allowed to retain small residual estates ranging in size from 50 to 100 hectares. In the matter of compensation the Latvian régime was the most severe, for, although the Constituent Assembly had recognized its desirability in principle, a law was passed in April 1924 providing that there should be no indemnity. The limited amount of compensation

[1] About 86·5 per cent. of the expropriated land belonged to the Baltic Barons, 2·6 to Russians, 6·4 to foreigners, and 4·3 to Estonians.

423 provided in Lithuania by the law of 1922, and in Estonia by a law
471 of March 5, 1926, proved in practice to be negligible, owing to the currencies in which it was expressed.[1] Petitions on the subject of compensation presented to the League of Nations by the German Balts of Estonia (1926) and Latvia (1925), and by Polish landowners in Lithuania (1925), were all rejected on the ground that agrarian reform constituted a social, and not a minority, question.

The ways in which the lands thus nationalized by the agrarian laws were distributed, and the effects of the redistribution on the economic life of the three countries, are described elsewhere.[2] It is enough here to stress the fact that the chief beneficiaries were the landless agri-
423 cultural labourers, the small-holders, and the tenant farmers. The
●178 abolition of the semi-feudal society which had survived up to the World War, and the creation of a large class of peasant proprietors, were factors which very largely determined the lines on which the political life of the new Republics would develop. They explain, in part, not only the failure of Communism to take root in these countries in spite of the proximity to Soviet Russia of two, at least, of them, but also the gradually declining influence of the Socialist and other Left parties in the years immediately following the setting up of the Republics, and the eventual establishment of agrarian dictatorships in Estonia and Latvia in 1934.

2. National Minorities[3]

563 *Lithuania.* At the last census, taken in 1923, the national minor-
162 ities in Lithuania together formed 16·12 per cent. of her total population, which then numbered 2,028,971.[4] The Jews, the largest group,[5] were chiefly to be found in the towns, and played an important part in the business life of the country, whereas the Russian minority consisted chiefly of peasants who settled in certain parts of the country more or less *en masse*, under the Tsarist régime, together with some 4,000 White Russian peasant colonists. The Germans,

[1] In Estonia compensation was based on the pre-War value of the rouble; for the Lithuanian arrangements, see below, p. 107. [2] See below, pp. 105–9.

[3] Much of the material for this section was obtained from C. A. Macartney, *National States and National Minorities*, Oxford University Press, 1934.

[4] Table 1. *Population of Lithuania (excluding Memel) According to Race* (1923 *census*).

	Lithuanians	*Jews*	*Russians*	*Germans*	*Poles*	*Letts*	*Others*
Number . . .	1,701,863	153,743	54,881	29,231	65,599	14,883	8,771
Percentage of total population . .	83·88	7·58	2·70	1·44	3·23	0·73	0·44

[5] The density of the Jewish population in Lithuania, which resembles that of Poland and Eastern Rumania, is due to the fact that Lithuania, before 1918, formed part of the Russian 'Pale', within which alone the Jews were allowed to settle without special permission. Thus the Jewish problem in Lithuania differs radically from that in the other Baltic countries.

642 necessary for its formation led to the frequent prolongation of political crises by interminable party bargaining.

565 665 It is important to bear in mind that the vast majority of the inhabitants of these countries are, and have always been, peasants. Under the Tsarist régime they were ardently nationalist, and, as long as the supremacy of the Baltic Barons endured, there was also a marked tendency to Socialism. After the establishment of independence, the agrarian reforms energetically prosecuted by all three States brought into existence a large new class of small peasant proprietors, and land-hunger, the chief incentive to revolution, was virtually abolished. The Agrarian parties grew steadily stronger at the expense of the Socialists and Centre groups,[1] while Communism —now that it was associated with Soviet Russia and all that Russian domination might involve—became practically extinct as a significant force.

Given, on the one hand, the state of parliamentary atrophy described above, with its probable accentuation of the economic and financial difficulties of the period, and, on the other hand, the increasing predominance of the Agrarian parties, influenced possibly by the success of the Pilsudski *coup* in May 1926 and the German National-Socialist victory in 1933, an outside observer might be tempted to describe what has happened in Estonia, Latvia, and Lithuania as a victory, in each case, of the peasant parties over 642 the Socialists, or of Fascism over parliamentary anarchy. Each of 186 the dictatorships, it is true, depends largely on the prestige of one 178 or two veteran statesmen, on the loyalty of the Army, and on the tacit acquiescence of the mass of the peasantry. It is also true, perhaps, that in each country an anti-foreign and anti-Semitic agrarian nationalism is becoming more and more pronounced, and, furthermore, that there is a common tendency on the part of the responsible leaders to favour the introduction of corporative institutions—although how far such an innovation would be likely to modify the existing concentration of powers it is as yet too soon to judge. But it would be misleading to stress the parallelism between the three States too much, or to conclude that the present authoritarian régimes employ the same methods and operate in the same interests in every case.

642 In Estonia, the Agrarian dictatorship of M. Paets was the last stage 579 of a race between the parliamentary groups and the extra-parliamentary and semi-Fascist organization, known as the 'Liberators'

[1] In Lithuania the strength of the Socialists never exceeded 17 per cent. of the whole *Seimas*; but in the other two countries the Left groups, although they were at first numerically stronger than the Agrarian parties and had played a prominent part in framing the Constitutions, participated in a quite disproportionately small number of Governments, and diminished in strength fairly steadily in successive elections.

433 has ceased to import more goods, in value, than she exports. In all three countries, though less, perhaps, in Lithuania than in the other two, the progress of industry has been considerable. But the re-
475 organization is not limited to the nature of production itself. For, especially in Estonia and Latvia, the State has gradually tended to play a more and more important part in the economic system, until its activity in some respects can be described only as State capitalism. Thus, though there has certainly been a substantial recovery in all three countries, the economic systems, at any rate of Estonia and Latvia, have emerged from the depression in a very different form from that in which they entered it.

I. PRICE MOVEMENTS AND THE PRODUCTIVE SYSTEM, 1931–7

1. General Considerations

435 The main results of the crisis of 1930–2, as has just been mentioned,
511 were severe falls in the price of the principal articles produced by the Baltic States, and an almost equally heavy decrease of consumption in their chief foreign markets. The former of these two results had a serious effect, first on the position of the agricultural population and then upon the standard of living of the whole community. Since the worst year of the crisis prices have not only ceased to fall, but have risen appreciably; in Estonia and Latvia currency depreciation and devaluation have given an additional stimulus to the rise of prices expressed in national currency. To this extent the difficulties caused by the fall of 1930–2 have been diminished. On the other hand, consumption in the chief markets of the Baltic States has improved only very gradually, and the problems
433 caused thereby have therefore been of a less transitory nature. For,
● 178 in order to remedy the consequent shortage of exchange, Latvia, Estonia, and, to a smaller degree, Lithuania have been forced to modify their productive systems in order to produce commodities which were formerly imported. Thus, during the years 1931–7, Estonia and Latvia have become to a very large extent self-supporting in certain of the chief foodstuffs, and in all three countries a policy of industrialization is being pursued.

2. Price Movements and their Effects

435 The extent of price movements during these years is shown in Table 32 on p. 145.

These indices, of course, include the price of a number of articles not produced in these States, especially certain imported manufactured goods in which the fall of prices was smaller than in many

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TABLE 38. *Number of Workmen Employed in Manufacturing Industries*[1]

Industries	Estonia (enterprises employing 20 or more workers only)		Latvia (all workers)	
	1926	1937 (end)	1926	1937 (end)
Textiles	8,919	12,024	5,935	18,394
Woodworking	4,389	3,567	10,061	12,758
Metallurgical	3,758	6,384	8,406	19,541
Paper and printing	3,349	3,909	5,132	6,801
Foodstuffs	1,916	3,284	8,543	16,648
Chemical	835	2,831	3,433	5,182
Other	2,683	12,584	8,160	25,655
Total	25,849	44,583	49,672	104,979

in construction. In Latvia the increase in 'other' industries is chiefly due to the growth of activity in the clothing trade, employing over 13,000 at the end of 1937, and in building.

So far as the volume of industrial production is concerned, some indication as to developments in these two countries can be obtained from the following figures:

TABLE 39. *Indices of Industrial Production*

(1930 = 100, average for year)

	All commodities		Capital goods		Consumption goods	
	Estonia	Latvia	Estonia	Latvia	Estonia	Latvia
1930	100·0	100·0	100·0	100·0	100·0	100·0
1931	92·0	82·0	92·6	83·0	91·3	80·1
1932	79·3	75·7	78·1	53·4	78·4	78·1
1933	83·0	102·7	81·2	63·8	81·5	109·3
1934	97·7	119·8	106·3	83·3	91·5	126·9
1935	107·8	126·1	114·9	88·0	101·6	134·3
1936	121·6	131·5	133·0	103·7	112·5	138·3
1937	140·5	147·8	174·1	121·0	119·5	151·3

Estonia. Developments in Estonia's manufacturing industry since 1930 were subject to the general considerations mentioned above. Additional stimulus to industry was given by the introduction of severe import restrictions in the autumn of 1931 and of the control of the foreign exchanges. Moreover, the abandonment of the gold standard in June 1933 made it cheaper to buy raw materials abroad and to manufacture the finished article in the country than to import finished goods; and this greatly increased the development of industry. Finally, the increase in the purchasing power of the agricultural population, owing to the higher prices prevailing since 1935, led

[1] For the sources for the 1926 figures see note to Table 21, p. 117; the figures for 1937 are taken from *Eesti Statistika* for February 1938, and *Mõnda Bilstine* for March 1938.

178 to something like boom conditions during 1936 and 1937–8, when a shortage of labour and a movement towards higher wages, attracting workers from agriculture, began to be felt. The progress of industrialization during these years has largely been due to private initiative. But, in its initial stages, the State gave indirect encouragement by the imposition of import and currency restrictions, and in recent years has begun to play a more active part.

178 438 Industrial development has chiefly consisted in the further employment of plant already in existence, especially in the textile industry, where substantial progress was made on the lines already mentioned,[1] particularly in the use of home-grown flax. Considerable progress also was made in the plywood industry, mainly as the result of the building boom in Great Britain. As already stated, there was a noteworthy expansion in the shale and ancillary industries. Since 1930 plant has been greatly extended, and, by the end of 1936, the exploitation of Estonia's shale resources had reached a point where [439] it did much to compensate for the lack of other fuel.[2] It is noteworthy that, whereas the increase of industrialization in Latvia led to an increase of coal and coke imports from 4·2 per cent. of the total annual average value of imports in 1928–30 to 10·8 per cent. in 1936, in Estonia, where the progress of industrialization was nearly as great, the figure remained stable at about 1·4 per cent.

New industries also have been started since 1930. The production of artificial horn, which is made from milk, has assumed substantial proportions, and exports have steadily risen from 24 tons in 1928 to 751 tons in 1937. In the autumn of 1936 a factory was begun for the [475] manufacture of sulphate of cellulose. Negotiations are at present in progress for the erection of a plant for making superphosphate, which is to use the large deposits of phosphate near Tallinn, one of the few important mineral deposits in the Baltic States other than shale.[3] In this the State is, apparently, taking a direct interest. The State has also taken a direct interest in a brick-making concern founded in 1936.

471 433 *Latvia.* In general, however, the interest of the State, direct and indirect, is far greater in Latvian industry. This is a tendency which can be dated fairly accurately from the coming of the totalitarian régime in 1934. Before that date developments in industry since 1930 had been similar to those in Estonia. The first effect of the crisis was to restrict very severely the activity of the industries

[1] See above, p. 118.

[2] According to an article by the Estonian Minister in London in *The Banker* for March 1938, the output of oil-shale increased between 1920 and 1930 from 48,000 to 498,000 tons, and rose to 1,100,000 tons in 1937. Similarly, the production of crude oil increased from 10,000 tons in 1930 to 110,000 tons in 1937.

[3] *Die Börse* (Vienna), January 4, 1937; *The Banker*, March 1938.

working for export, especially the timber and plywood industries. This was followed by a general decrease of activity throughout the industries supplying the home trade, such as the textile industry, owing to the fall in agricultural purchasing power arising out of the decrease of exports. This movement was further accelerated by the credit crisis of 1931 and the moratorium on banking withdrawals; and by 1932 the monthly average total of unemployed was well over 14,000.[1]

Meanwhile, in the autumn of 1931 there was a general increase in Customs duties, and a system of import quotas and exchange restrictions was introduced. All these measures greatly increased the tendency towards industrial self-sufficiency, which now became the acknowledged policy of the Government. There was consequently a considerable increase in the activity of the consumption industries, especially the textile sections, which, as in Estonia, increased their consumption of home-grown flax. This led in turn to an increase of activity in the production goods industries. At this stage the export industries began to experience a recovery, and by the end of 1934 the building boom in the United Kingdom began to have an appreciable effect on the plywood industry and saw-mills. There was also a marked recovery in the paper and cellulose industry.

Up to this point industrial expansion had followed the normal course of recovery from a severe recession. This recovery had taken place for the most part within the limits of the existing industrial apparatus. Few fresh industries had been started, and the relations existing between industry and the State before 1930 had, for the most part, been maintained. The advent of the totalitarian system in 1934, however, has been followed by an entirely new industrial policy. This policy does not consist merely in an attempt to attain the greatest degree of self-sufficiency. Its purpose would seem rather to be the introduction of a form of State capitalism or, at any rate, a system in which the State is able to exert direct control over the industrial organization. It will be seen how the State, by its relation to the co-operative system, is able to exert a considerable degree of control over agriculture and dairy farming. This, however, is a policy which the State is generally compelled to pursue in a poor country of small farmers. That such a policy should be applied to a relatively large industrial organization, which had hitherto relied on private enterprise, was a considerable innovation.

The policy began to be put into effect first through the *Latvijas Kreditbanka*,[2] a commercial bank formed by the State in 1935. By the purchase of majority shareholdings, this organization soon

[1] i.e. demands for work according to the official returns.
[2] On this, see further pp. 184–5.